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Balfour

International bimetallism

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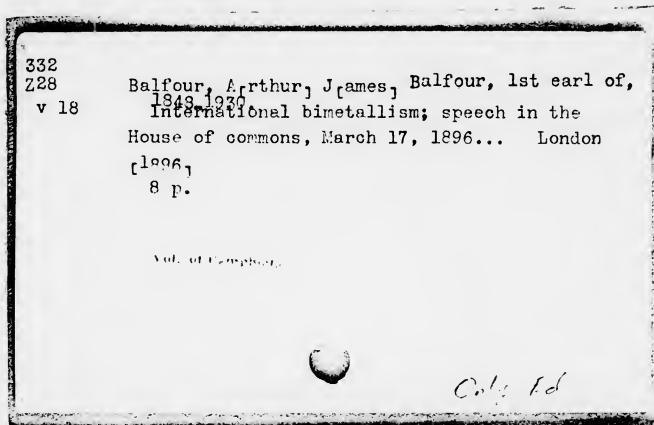
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# INTERNATIONAL BIMETALLISM.

## SPEECH

BY

The Right Hon. A. J. BALFOUR, M.P.,

IN THE

*House of Commons, March 17, 1896, on*

MR. HERBERT WHITELEY'S RESOLUTION:

"This House is of opinion that the instability of the relative value of Gold and Silver since the action of the Latin Union in 1873 has proved injurious to the best interests of this country, and urges upon the Government the advisability of doing all in their power to secure by International Agreement a stable Monetary Par of Exchange between Gold and Silver."

Mr. BALFOUR said: I do not know that the right hon. gentleman (Sir W. Harcourt) has kept the debate up to the level of amusement to which it was raised by the hon. member for Dover, but I admit he has made a long, interesting, and important speech. In the time left to me I cannot traverse the whole of it, and I shall consider myself fortunate if I can touch on the main heads of argument the right hon. gentleman has used. Before I do so let me incidentally remark that the right hon. gentleman has, on certain subsidiary points, made himself a sponsor for various very extraordinary views. Among other things he allowed us to understand that the commercial position of a manufacturing country depends upon the lowness of wages and the number of the hours that the operatives work in that country. He has told us that if we have anything to fear from Japan it is because the English artisan works short hours and has good wages, whilst the Japanese artisan works long hours, has small wages, and works seven days

a week; and on that basis he forecasts the future commercial and manufacturing supremacy of Japan. He distinctly told this House that if we were being undersold in the neutral markets of the world or in our own this was the reason, and I hope the Labour representatives on his side of the House will take note of his views. Then the right hon. gentleman gave us an account of the abandonment by France of the Bimetallic system; he said that France did not wait for the results of the war of 1870 before determining to give it up, but that already, on the report of a Commission, she had made up her mind that the system was one she could no longer hope to maintain. I do not know where the right hon. gentleman got his information, but I am informed that the report of the French Commission to which he alluded was considered by one branch of the French Legislature before the war of 1870, and that they declared in January of that year that the Bimetallic system should be reaffirmed, so that before the war of 1870, and in the face of that Commission, and with full knowledge of what it had to say, France deliberately reaffirmed the Bimetallic position. The right hon. gentleman went on to tell us that, holding, as we do, that the present condition of exchange between England and India afforded a stimulus to Indian manufacturers, we should ask ourselves what would be thought of our policy by the Indian population if we deliberately adopted a new system under which that stimulus to Indian manufacturers would be put an end to. Well, sir, that may be a good argument from some points of view, but it is not a good argument from the point of view of the right hon. gentleman, for he was a member of the Government which forced upon India an artificial currency, which tampered with the currency of two hundred millions of Her Majesty's subjects for the deliberate, avowed, and openly-expressed purpose of raising the value of the rupee above its true market price, with the inevitable result, in so far as it was raised thus artificially, that the stimulus to Indian exports would be diminished. I think I am absolved from dealing with that argument, when it proceeds from a gentleman who has done more than anyone practically to prove

its futility. The right hon. gentleman then went on to use an argument which I am glad to think has scarcely been alluded to, so far as I can remember, in the course of the debate—the argument of the creditor country. There is no argument that has brought us into greater discredit or into juster discredit with countries on the continent, with America, and with our own colonies than the creditor country argument.

Sir W. HARcourt: Why?

Mr. BALFOUR: I will tell the right hon. gentleman why. The right hon. gentleman tells us truly enough, that the debts of this country are paid in commodities which are estimated upon a gold basis, and that the result of the appreciation of gold, which has gone on during the last twenty years, is that the creditor country thus paid in commodities gets a very much larger proportion of commodities, probably twice as many, than on the original gold value of the commodities it had the slightest right to. Does the right hon. gentleman think that this creditor argument is one which commends itself to those who have got to pay debts in this country? What they ask and what we ask is that some standard of debts which would be unchanging over a long period of years should be adopted, not only between individuals, but between countries. We hold—and our opinion is shared by the best economic opinion all over the world—that this would be more effectively secured by the Bimetallic system than by the Monometallic system. I do not say that that opinion is right; but I do say that it is the opinion of all—well, at any rate, of the vast majority of—economic authorities. If foreign countries hold, as they do hold, that the single standard has the result of artificially increasing the burden of their debt to this country, they will think, and think truly, that the right hon. gentleman is not so much occupied in maintaining what is called an honest currency as with the object of obtaining a currency which will get more than their just debts from those who are our debtors. I pass from these outworks of the right hon. gentleman's speech to the main contention with which I understood it to be occupied. The policy

of the Government has already been expressed by my right hon. friend, the Chancellor of the Exchequer. He has told the House that the Cabinet is of opinion, as, if I may venture to say so, I have always been of opinion, that it is absolutely impossible to force upon the commercial and banking classes of this country a form of currency which they distrust, and which they are not prepared to accept. I admit that, while my right hon. friend the Chancellor of the Exchequer has with perfect accuracy represented the policy of the Government, if it had fallen to my lot as Chancellor of the Exchequer to carry out the same duty, it would have been carried out in a different spirit. The drawing of his picture was absolutely correct, but the tone and colour perhaps leave, from my point of view, something to be desired. My right hon. friend had indeed a perfect right to speak as he has spoken. He is a believer in a single standard, as I am a believer in a double standard. We are absolutely agreed as to the policy we ought to pursue. The difference between us is this—that while my right hon. friend rather triumphs in the opinion which is so largely held in the City of London amongst the banking classes in regard to our present system of currency, I regard the state of things with deep regret. I think that in this case, as in other cases, they have rather lagged behind sound opinion on the subject, and that the time will probably come when they will take the view already taken by the great mass of scientific economists, namely, that the Bimetallic system of currency is one that ought to be adopted not merely by other nations, but by us also. I am encouraged, I frankly admit, in that view of the future opinion of this country by the revolution in that opinion which has already taken place. I distinctly remember the time when, if a debate on this subject had taken place in this House, we should have heard one member after another get up and exclaim that the Bimetallists denied the laws of supply and demand, did not understand the effect of production on value, and all the rest of it. That view is, I am glad to think, abandoned, or if not absolutely abandoned, those who hold it are a small and belated minority who have not taken the trouble to make themselves acquainted

with the literature of the subject. I think it will be admitted that it is not now open to any man who professes to be an educated man, to pretend that what is held by the great majority of the French nation, the great majority of the Italian nation, the great majority of the Belgian nation, the great majority of the German nation (cries of "No")—well, wait and see—and by practically the whole of the American nation, is one that is scarcely open to that kind of criticism? And as a matter of fact there is not a single instructed economist in the country who would now venture to repeat anywhere or in any company, however ignorant, the arguments that once would have been received with general approval and greeted with universal applause. The whole trend of civilised opinion is in the direction of a double standard, and I confess that I look forward to a period when it will be accepted, not merely by the great commercial nations of which I have been speaking, not merely by the great manufacturing classes of Lancashire, and by the vast majority of the representatives of agriculture, but also by the great body of opinion within this great commercial centre of the Empire. I do not think it would be profitable or convenient that I should here or now deal in detail with the advantages that may be anticipated from some settlement of this question. But one point I must deal with. It has been constantly assumed by the Monometallist speakers in this House that we have some power by our own action to settle the debt-paying value of our own standard of exchange, and that it is competent for us to say, "We adhere to the gold standard, no nation can disturb us; we remain, to use the now classic phrase, in splendid isolation as regards our currency." That is not in the power of this or of any Government. It is not in the power of this or any nation. Whether we like it or not, the laws of nature are too strong for us. Whether we like it or not, the currency of one nation does depend, and must depend, upon the action taken by other nations. The action of Germany and France have already altered the debt-paying capacity of your standard; and if to-morrow the great commercial

nations of the world did what, in my opinion, they have the power to do if they chose to exercise it, and were to say, "England refuses to join us. We will leave her on one side. We will adopt a Bimetallic system and let her get on as she chooses with a Monometallic system," the result of that would be, I admit, entirely beneficial to us, but it might also entirely upset the present debt-paying capacity of the standard which you think, by your own powers, authority, and legislature, you have chosen to establish. The truth of the matter is that there is no subject in the world which is more proper for international arrangement than currency. There was a time when commerce was, broadly speaking, confined within the limits of the country which issued the currency, in which the debts contracted to carry on that commerce had to be paid. That has been broken down by the advance of civilisation, and at the present moment, in spite of tariffs and the ridiculous system by which one nation tries to exclude the products of another nation—in spite of all that, the civilised and commercial nations of the world form one community. They form one community for the purposes of commerce, and, therefore, it is perfectly ludicrous—and if we were not accustomed to it we should think it perfectly intolerable—that the standard of these debts should differ with longitude and with latitude. The Chancellor of the Exchequer recalled to the memory of the House the ludicrous fact that at the present moment, within the limits of this empire, men's debts are measured by three different standards. They suffer from alteration by three different sets of causes, and they are subject to influences arising from three different quarters. We have a gold standard in this country, we have a silver standard in the Straits Settlements. In India there is a standard based neither on gold nor silver—a standard varying from day to day at the will of the Indian Executive and the discretion of the Indian Finance Ministers. If gold appreciates the debts of Englishmen are increased. If silver depreciates the debts of the Englishmen at Singapore are diminished; while debts in India increase or diminish according

to the views that may from time to time be taken by those responsible for the anomalous currency established in that country. Nothing shall persuade me that it is in conformity with civilisation and common sense that the commercial world should long tolerate so inconvenient, ruinous, and absurd a system. I hurry on from these general considerations to the, after all, far more important question involved with regard to policy which this country is to pursue in the future. I understand we are to pass this resolution unanimously. No amendment is to be moved, and no division is to be taken. What is to become of it? The right hon. gentleman (Sir W. Harcourt) has done his little best to secure that nothing shall come of it. My hope is that a great deal will come of it, and I regard the resolution itself, and the debate by which it is accompanied, as an invitation from this country to other countries to adopt a common system of debt-paying standard upon a reasonable basis. The right hon. gentleman, in order to make that impossible, has let it go forth to the world that, in his opinion, under this resolution, the British Empire proposes to do nothing towards establishing a Bimetallic system. He has dwelt on the fact that the United Kingdom is going to maintain its present system, and he has asked—How can you ask foreign nations to alter their system when you announce in your speeches, if not in your resolution, that you do not mean to alter yours? That would be an admirable argument if the United Kingdom were coincident with the British Empire. But, as a matter of fact, it appears to me that under this resolution we are pledged to do as much or more for the Bimetallic system and for the rehabilitation of silver as it is in the power of any foreign country whatever to do. With this resolution in our hand we go to foreign nations and tell them that, although we are by tradition and by custom attached to a gold currency, and though they can hardly ask us to make this great change in our habits, a change far greater than any demanded of them, we will yet do for the cause of International

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Bimetallism as much as any country in the World. For we will make this great contribution to a Bimetallic system—we will go back upon the deliberately-arranged method of providing a currency for India; we will reopen the Indian mints, we will engage that they shall be kept open, and we shall therefore provide for a free coinage of silver within the limits of the British Empire for a population greater in number than the population of Germany, France and America put together. I do not think that this will be regarded by foreign nations as a contemptible contribution to a great problem. I think, on the contrary, they will feel that in carrying out this policy we shall be contributing at least our share towards that great object, the accomplishment of which, if foreign nations are only willing, I believe is now in sight; and whatever be the views of gentlemen in this House, whether they be Monometallists or Bimetallists, I cannot believe that they are so short-sighted as not to desire that if this question can now be finally settled once and for all, we should not do everything in our power, subject to the limitations which I have described, and which my right hon. friend has given in more detail, to hasten such a consummation. I am glad to think that the House of Commons to-night will unanimously support this resolution, and I hope it will be understood abroad—in Germany, in France, and in America—that this country is perfectly prepared to bear its fair share in any system which may, for ever, put the international currency of the world upon a basis just both to the debtor and to the creditor, a basis which may claim a stability far more solid than that which can be possessed by either gold or silver Monometallism.

[*The Resolution was carried unanimously.*]

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